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Illinois Farm Income Outlook

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Disclaimer

The results presented in this report do not consider market uncertainty. Small proportional changes in cash receipts or production expenses can dramatically change the NFI outlook.

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What is the goal of this report?

In September 2024, the U.S. Department of Agriculture (USDA)'s Economic Research Service (ERS) released state-level farm income estimates through calendar year 2023. The present report published by the Rural and Farm Finance Policy Analysis Center (RaFF) provides an outlook for Illinois farm income in calendar years 2024 and 2025. It intends to inform policymakers, industry analysts, and agricultural practitioners about the expected profitability of the state agricultural sector and its main drivers.

What methods were used to develop the outlook?

The RaFF Farm Income Model consists of a collection of equations calibrated using historical data from the USDA's ERS, Risk Management Agency, and Farm Service Agency. RaFF's state-level forecasts are obtained by feeding national and regional projections from the Food and Agricultural Policy Research Institute at the University of Missouri (FAPRI-MU) into the RaFF model. Published results incorporate expert insights from agricultural economists at the University of Illinois at Urbana-Champaign (UIUC).

How is farm income measured?

Following the ERS methodology (USDA 2024a), net cash farm income is calculated based on cash receipts, government payments, and insurance indemnities minus cash expenses in the calendar year when the cash flow occurred. Net cash farm income is adjusted by non-cash income and expenses and changes in inventory values to obtain a net farm income (NFI) measure.

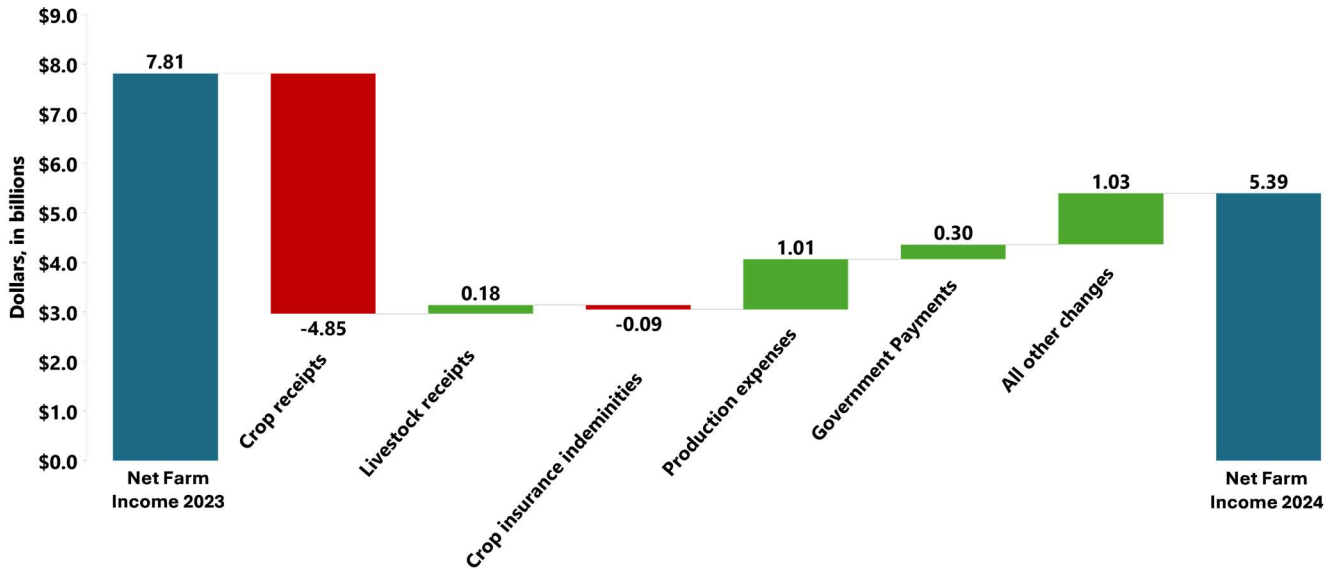
National Farm Income Trends

The ERS projects 2024 U.S. NFI at \$140 billion, which is \$6.5 billion (-4%) lower in nominal terms than in 2023 (USDA 2024b). Driving this change were a \$27.7 billion decrease in corn and soybean cash receipts that more than offset the \$17.8 billion increase in livestock receipts led by eggs, cattle and calves, milk and broilers, and a projected \$4.4 billion reduction in production expenses led by feed, fertilizer and pesticide expenses. In addition, 2024 direct government payments are forecast to decline by \$1.8 billion from 2023 to tally \$10.4 billion. It must be noted that the ERS substantially revised historical U.S. farm income data in September 2024, lowering the 2023 NFI estimate by \$9.4 billion (-6%) from \$155.9 billion in February 2024 to \$146.5 billion in September 2024.¹

Based on updated ERS data, FAPRI-MU projects a \$9 billion (-6.2%) nominal reduction in 2024 national NFI — a more significant decline than the drop ERS projects — followed by a further \$8.4 billion (-6.1%) decline in 2025. Anticipated lower prices for many crops and poultry would pressure 2025 cash receipts (FAPRI-MU 2024). By 2025, the cumulative decline in nominal NFI would amount to \$53 billion (-29%) of its 2022 peak (\$182 billion). Adjusted for inflation, such decline would total \$67.3 billion (-35%) in 2024 dollars. Similarly to ERS, FAPRI-MU reasons that the negative effects of lower crop prices on farm receipts would more than offset the positive effects of higher cattle prices and moderating farm production expenses.

¹ Major drivers of the downward revision in estimated 2023 U.S. NFI include higher cash expenses in net rent to nonoperator landlords (+\$14.5 billion); labor (+\$5.0 billion); fertilizer (+\$5.4 billion); livestock purchases (+\$1.8 billion); seed (+\$1.7 billion); fuel and oil (+\$1.3 billion); and marketing, storage and transportation (+\$1.0 billion) as well as lower cash receipts from broilers (-\$1.1 billion). Higher cash receipts from eggs (+\$3.7 billion), vegetables (+\$3.3 billion), fruits and nuts (+\$2.0 billion), cattle and calves (+\$1.7 billion), corn (+1.4 billion), soybeans (+1.4 billion), hogs (+1.0 billion) and sugar beets (+1 billion) as well as lower interest expenses (-\$5.7 billion) and property taxes (-\$1.6 billion) only partially mitigate the downward revision in NFI.

Illinois net farm income to decline in 2024



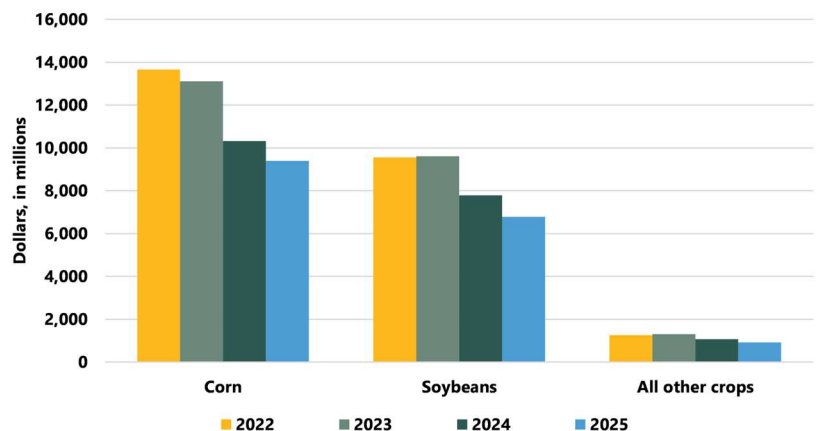
RaFF and collaborators at UIUC project Illinois NFI to decrease by \$2.41 billion (-31%) to \$5.39 billion in 2024. This would be the second consecutive year of declining NFIs, accumulating a \$ 4.65 billion (-46%) drop from its \$10 billion peak in 2022. In 2024, crop receipts would decline by \$4.85 billion (-20%) and more than offset the \$1 billion (-5%) reduction in production expenses and the \$0.2 billion (+5%) increase in livestock receipts. Direct government payments increase by \$0.30 billion to \$0.62 billion and crop insurance indemnities decline by \$0.1 billion.

The expected 31% reduction in Illinois NFI is much larger than the projected 6.2% reduction in U.S. NFI for 2024, due to the state's relative specialization in crop production and the downturn in crop prices. Similarly, the drop in NFI between 2022 and 2024 for Illinois is substantially larger than that of the United States: -46% vs. -29%, respectively, in inflation-adjusted dollars of 2024.

Illinois Crops

- Corn production is projected to reach its highest level on record in 2024, at 2.36 billion bushels, as record corn yields of 222 bushels per acre offset the effect of 400,000 fewer acres in production. However, **cash receipts would fall by \$2.79 billion (-21%) to \$10.32 billion in 2024 due to lower corn prices.** Cash receipts are expected to continue declining into 2025 as corn prices increase slightly but yields revert to average levels.
- A larger planted area and higher yields would bring **soybean production up by 8% to 698.8 million**

Crop receipts decrease \$4.8 billion in 2024



bushels in 2024, its highest level on record. As with corn, lower prices would reduce 2024 cash receipts by \$1.82 billion (-19%) to \$7.79 billion, before declining further in 2025 due to lower prices and production.

2024 share of crop receipts (listed in order of receipt value)

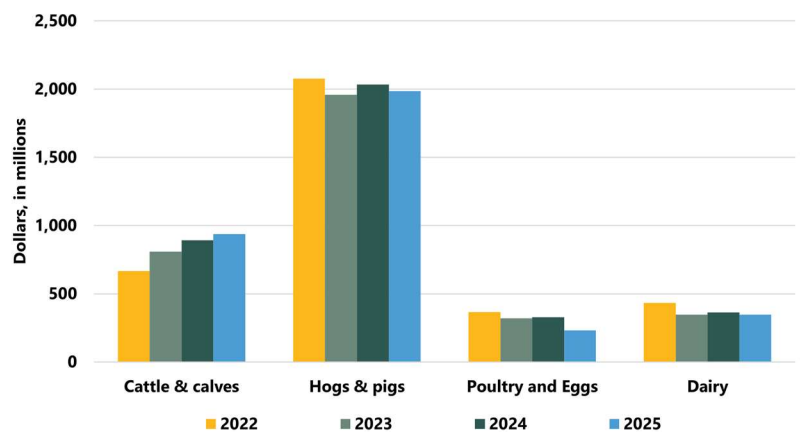


- Wheat and hay prices are projected to decline in 2024, resulting in lower cash receipts for both crops. While hay production increases by 31% in 2024 to 1.5 million short tons, wheat production declines by 14% to 58.1 million bushels. For 2025, cash receipts for both crops are forecast to decline due mainly to lower production levels.
- Projected declines in crop prices push cash receipts and the value of inventories to lower levels in 2024.

Illinois Livestock

- The hog inventory remained stable at 5.5 million head between December 2022 and December 2023. Total marketings increased by 267 million pounds (+9%) to 3.39 billion pounds. Slightly higher hog prices would support a \$76 million increase in cash receipts to \$2.03 billion in 2024. Lower hog prices and marketings would bring receipts down to \$2 billion in 2025.
- Cattle inventory at the beginning of 2024 was 10,000 head higher than in 2023, at 1 million head. Higher prices and marketings are projected to drive cattle receipts up by \$81 million (+10%) to a record-setting \$891 million in 2024. Stronger prices and higher marketings would push receipts to \$937 million in 2025.
- A combination of higher prices and slightly increased production would lift egg receipts by 7% to \$292 million in 2024. A large projected drop in egg prices would reduce receipts to \$192 million in 2025.
- A 4% increase in milk prices with stable milk production would translate into \$15 million additional dairy cash receipts in 2024, reaching \$363 million. Lower milk prices and production would result in receipts of \$348 million in 2025.

Livestock receipts \$0.2 billion higher in 2024



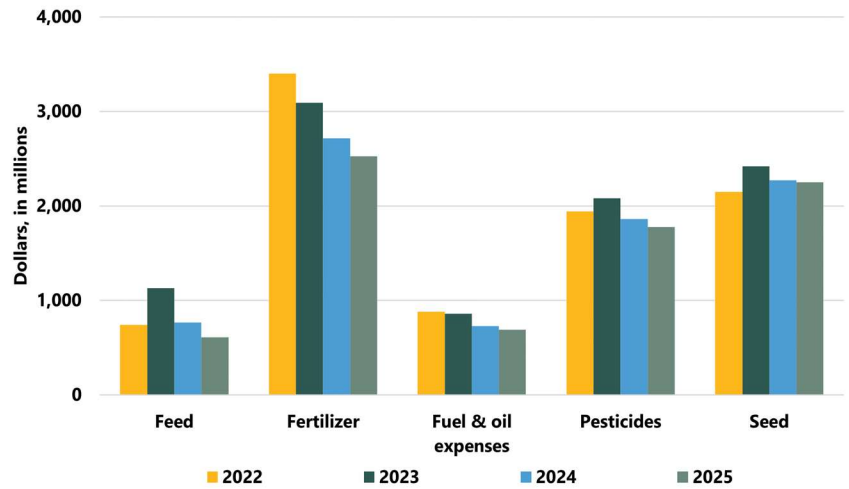
2024 share of livestock receipts (listed in order of receipt value)



Illinois Expenses

- Lower expenses in 2024 drive total production expenses down by \$1.26 billion (-6%) to \$19.39 billion.
- Fertilizer expenses decline by \$375 million (-12%) in 2024, to \$2.72 billion, but remain above pre-2022 levels. In 2024, feed expenses decline by \$363 million (-32%) from the 2023 peak, to \$767 million.
- Pesticide expenses decline by \$221 million (-11%) to \$1.86 billion in 2024, the third-highest level on record after 2023 and 2022. Seed expenses decline by \$151 million (-6%) to \$2.27 billion in 2024, the second-highest level on record.
- Total interest expenses, driven by lower real estate interest expenses, increase by \$67 million (4.5%) to \$1.6 billion in 2024, the highest level on record. In 2024, hired labor expenses increase by \$227 million (+49%) to \$693 million. Purchased livestock expenses increase by \$68 million (+39%) to \$242 million in 2024.

Crop input expenses retreat in 2024



Tying it all Together

Illinois 2024 NFI is projected to decrease by 31% in 2024 to \$5.4 billion. Farm receipts decline \$4.83 billion, driven by lower crop receipts. Production expenses decline by \$1.26 billion and government payments increase \$0.30 billion. Moving forward, Illinois net farm income is projected to decline by an additional \$2.4 billion in 2025, to \$2.97 billion, driven by lower crop receipts and inventory values, and only partially mitigated by further reductions in production expenses and higher government payments.

